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RUEHKO/AMEMBASSY TOKYO 3356
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RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1195
RUEHVEN/USMISSION USOSCE 3999

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001295

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE

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SUBJECT: TURKMEN PRESIDENT SHUFFLES OIL AND GAS OFFICIALS

REF: ASHGABAT

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. During an October 12 televised session with fuel and energy officials, Turkmen President Berdimuhamedov announced major firings and reshuffling of the oil and gas leadership, citing waste and poor performance as reasons for dismissals. The president prefaced his action by saying that more than half of the country's investment, amounting to billions of dollars, was devoted to the development of the oil and gas sectors. He stated that "unfortunately, because of the irresponsible approach of certain officials to their duties, we did not receive the expected return on the large investments made by the state in the gas and oil sectors." He proceeded to fire some officials, berating them for "grave shortcomings" in fulfilling their duties before dismissing them in front of their colleagues on live television. The president added that more of his personal attention will be given to the oil and gas sectors to ensure that Turkmenistan's oil and gas production goals are met by 2030. END SUMMARY.

Minister of Oil and Gas to Head Turkmen Oil

¶2. (C) Minister of Oil and Gas Industry and Mineral Resources Annaguly Deryayev was relieved of his post as Minister and reassigned as the head of the state oil company Turkmennebit. Deryayev had served as Minister since October 2008 and was replaced by Oraznur Numuradov. Our Turkmen contacts noted that Deryayev's appointment as the head of the state oil company was considered a promotion, rather than a demotion, as the position of head of the state oil company is considered more prestigious. Our contacts also added that as the head of the state oil company, Deryayev would also be able to obtain more lucrative "personal benefits" in his new position, as he would have more direct involvement in commercial deals. Deryayev replaces Orazdurdy Hajmyradov, who was reportedly reassigned back to the Oil and Gas Field Initial Development Institute where he previously worked from

2007 until July 2009. Our contacts added that it was well known that Hajmyradov's appointment as head of the state oil company had been considered temporary.

13. (C) When describing the poor performance of the state oil company, President Berdimuhamedov underscored that U.K. company Burren Resources and other foreign companies operating in Turkmenistan had used modern technology and tools to exceed the production of the state oil company by two times. He called for the state oil company to expedite the use of modern technology, methodologies, and equipment in order to increase production. The president noted that by 2030, Turkmenistan should be producing 100 million tons of oil and 250 billion cubic meters (bcm) of gas per year. Currently, the country produces about 10 million tons of oil and 80 bcm of gas annually.

State-Owned Gas Company Turkmengaz

14. (SBU) The temporary head of the state-owned gas company Turkmengaz, Dovlet Mommayev, was replaced by Nury Muhammedov. The president cited Mommayev's health as the reason for his transfer to another post; the president did not mention Mommayev's new assignment. The president lauded the new head of Turkmengaz Muhammedov as someone with years of fruitful experience in the gas sector.

State Oil and Gas Construction Company

15. (C) Chairman of the State Oil and Gas Construction Company Turkmennebitgazgurlushyk Atamurat Durdyev's firing appeared

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to be the harshest. On live television, the Turkmen president accused Durdyev of contributing to a steep decline in the work ethic among employees at the company, and for constructing low-quality projects. The president referred to Durdyev's earlier reprimand for failure to complete gas infrastructure projects designed to supply gas to the public. In addition, Durdyev had promised the president that the Korpeje-Kurtkui gas pipeline to Iran would be completed by December 2009 without the help of foreign companies. Sources tell us, however, that progress on the pipeline is very slow.

16. (C) After describing Durdyev's failure and stressing that Durdyev did not learn his lesson after he was reprimanded, the president turned to Durdyev and stated: "...therefore, I am relieving you, Durdyev, from your post for grave shortcomings at work. You can leave now." (NOTE: It is widely believed that those officials who are ordered to leave the room by the president after being fired often get collected by security officials; we have no information regarding Durdyev at this time. END NOTE.) Durdyev was replaced by Akmyrat Egeleyev.

17. (C) COMMENT. In the past, there has been frequent turnover of officials in the oil and gas sector, given the economic importance hydrocarbons play in providing revenue to the state. Deputy Chairman for Oil and Gas Baymyrat Hojamammedov and the Head of the State Agency for the Management and Use of Hydrocarbon Resources Yagshygeldi Kakayev remain unscathed from the recent shake up, with the president putting the blame on other individuals. It is possible that the president is allowing Hojamammedov more say in choosing the people he supervises, and Kakayev seems to have retained his position as a "favored son," for now. Still, they and the new appointees will need to deliver increased production and revenues in order to hold on to their jobs, not an easy task given the current restrictions on foreign investment and technologies. END COMMENT.

CURRAN